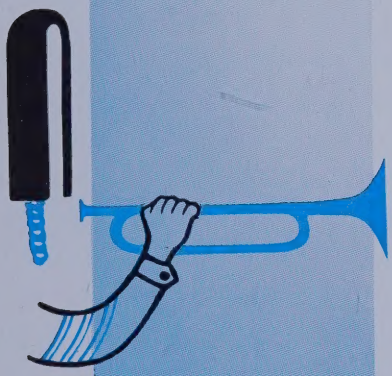
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ANNUAL REPORT 1963

atlas

TELEFILM LIMITED



To the Shareholders:

Enclosed you will find the financial statement of your Company for the fiscal year ended April 30th, 1963, which shows very satisfactory results and a marked increase in profits over any preceding period.

The statement reflects largely revenue from the exploitation of the more than 1,600 titles of the Company's motion picture library. Now, the Company has widened its range of activities and it has an interest in the profits of a radio station and, through a wholly owned subsidiary, has purchased, from an estate, as a going concern the business of a motion picture production studio and film processing laboratories, standing on 4½ acres of valuable Metropolitan Toronto district land, with sound stages, recording and dubbing studios, closed-circuit theatre television facilities, plant and machinery at less than one third of the entity's appraised value of $1,400,000.00.

The meeting of shareholders, called in the accompanying notice, is taking place on the above described premises.

The Special Resolution, passed by the directors, set out in the notice which is enclosed, subject to the approval of the shareholders and the issuance of Supplementary Letters Patent to your Company, provides for the extension of objects of the Company.

The change of the name to TELEMEDIA LIMITED provided for in the Special Resolution is to denote properly the widened activities of your Company as well as the contemplated developments.

It should be noted that the Special Resolution also provides for decreasing the authorized capital. In the opinion of your directors and their investment counsel, it will not be necessary to finance any operations or acquisitions through the sale of additional capital shares, as the projection of income and earnings indicates your Company will have ample funds for these purposes.

The further subdivisions of the Special Resolution deal with the creation of 6% cumulative, redeemable, non-voting preference shares with a par value of $10.00 each, which will under the terms of the creation thereof, automatically be distributed amongst the holders of common shares in the ratio of one preference share for every twenty-five common shares held. This is equivalent to giving each present shareholder the value of 40¢ in preference shares. It is the intention of your

directors to redeem these preference shares as soon as expedient after Supplementary Letters Patent have been issued.

Since the end of the fiscal year, the earnings of the Company have continued on the same ratio as reflected in the financial statement that follows.

The shares of your Company are presently listed on the Canadian Stock Exchange and it is the intention of your directors, subject to the issuance of the Supplementary Letters Patent proposed in the said Special Resolution, to apply for listing of the common shares on another Exchange.

Your directors are confident that your Company, now having attained reasonable maturity, will continue to develop at a prosperous rate through its many and varied activities within an industry which is in itself growing apace in Canada.

On behalf of the Board,

LESLIE A. ALLEN,
President.

DELOITTE, PLENDER, HASKINS & SELLS
CHARTERED ACCOUNTANTS

MONTREAL TORONTO HAMILTON TIMMINS
WINDSOR WINNIPEG REGINA CALGARY
EDMONTON PRINCE GEORGE VANCOUVER

55 YONGE STREET
TORONTO 1, CANADA

To the Shareholders of
ATLAS TELEFILM LIMITED:

We have examined the balance sheet of Atlas Telefilm Limited as at April 30, 1963 and the statement of income for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statement of income present fairly the financial position of the company as at April 30, 1963 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a consistent basis except for the change referred to in Note 1 to the financial statements.

(Signed) DELOITTE, PLENDER, HASKINS & SELLS
Auditors.

October 19, 1963.

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BALANCE SHEET

Assets

CURRENT ASSETS:			
Cash			$ 697
Receivable on film contracts due within one year			1,734,575
Marketable security — at cost			820
Total current assets			1,736,092
OTHER RECEIVABLE:			
Receivable on film contracts		$2,950,561	
Less amount due within one year		1,734,575	1,215,986
FILM LIBRARIES FOR TELEVISION DISTRIBUTION:			
Film rights — at cost		2,974,745	
Less accumulated amortization (Note 1)		876,711	
		2,098,034	
Film prints — at cost	$ 78,286		
Less accumulated depreciation (Note 1)	21,923	56,363	2,154,397

Approved on behalf of the Board:

"J. A. COWAN," *Director.*

"LESLIE A. ALLEN," *Director.*

TOTAL	$5,106,475

The attached notes are an inte

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porations Act, Ontario)

T APRIL 30, 1963

Liabilities

CURRENT LIABILITIES:			
Accounts payable and accrued charges			$ 79,933
Provision for servicing costs (Note 1)			50,000
Total current liabilities			129,933
INCOME TAXES APPLICABLE TO FUTURE YEARS (Note 2)			1,260,000
SHAREHOLDERS' EQUITY:			
Capital stock (Note 4):			
Authorized — 10,000,000 shares of no par value Issued and fully paid — 4,214,607 shares		$2,635,815	
Contributed surplus arising from capital reorganization (no change during year)		377,446	
Earned surplus:			
Deficit at April 30, 1962 from mining operations now discontinued	$ 503,119		
Less proceeds from disposition of mining claims	25,000		
	478,119		
Net income for the year — Exhibit B	1,181,400	703,281	3,716,542
TOTAL			$5,106,475

art of the financial statements.

EXHIBIT B

ATLAS TELEFILM LIMITED

STATEMENT OF INCOME

For the Year Ended April 30, 1963

INCOME:		
Film rentals (Note 1)		$4,166,950
EXPENSES:		
Operating expenses	$ 826,915	
Amortization of film rights (Note 1)	876,711	
Depreciation of film prints (Note 1)	21,924	
Total expenses		1,725,550
NET INCOME FOR THE YEAR BEFORE INCOME TAXES		2,441,400
PROVISION FOR INCOME TAXES APPLICABLE TO FUTURE YEARS (Note 2)		1,260,000
NET INCOME FOR THE YEAR		$1,181,400

The attached notes are an integral part of the financial statements.

ATLAS TELEFILM LIMITED

NOTES TO FINANCIAL STATEMENTS

April 30, 1963

1. In previous financial statements since January 1, 1960, the company deferred film rentals received and expenses incurred and did not record amortization of film costs as it was considered that the company was in the development stage. The company's operations now having advanced beyond the development stage, the directors approved, in December, 1962, the adoption of accounting policies as set out below with respect to recording of income and to the amortization of the cost of film rights.

   Television film rentals under contracts reported as being entered into by the company's sales agent, have been included in income when effective dates occur before the end of the financial year under review. Provision for costs of booking and delivery of films contracted for, which are nominal, has been made in the company's accounts.

   Costs of film rights are being amortized for financial statement purposes on a basis designed to provide amortization charges in a proportion that the financial year's actual gross film rental bears to management's estimate of the total film rental that will be realized over the life of the licenses. Management intends to review this estimate each year and the estimate may be revised if warranted by changing conditions. Costs of film prints are being depreciated by the straightline method based on the average life for film prints of five years.

2. Provision for income taxes in the amount of $1,260,000 has all been recorded as applicable to future years rather than a current liability due to the fact that income and amortization of the cost of film rights are recorded in the company's accounts on bases which differ from those used for income tax purposes.

3. 934,607 shares of the company, as presently constituted, were issued prior to the company changing its objects from mining to the licensing and exploitation of motion pictures in theatres, television, radio and ancillary objects.

4. Under an agreement dated December 21, 1962, the International Credit Bank of Geneva, Switzerland purchased 280,000 shares of the company for $1,050,000 cash. Under this same agreement the International Credit Bank purchased $450,000 6% unsecured convertible debentures of the company at par. These debentures have since been redeemed by the company for cash. The agreement also provides that the above-mentioned 280,000 shares will be held in escrow until April 3, 1964.

   By agreement dated August 8, 1963 between the company and International Credit Bank, Geneva, Switzerland, the option granted to International Credit Bank, Geneva, by agreement dated December 21, 1962 to purchase 100,000 shares of the company at $4.10 per share and an additional 100,000 shares at $4.60 per share has been terminated by mutual agreement.

5. Under agreements dated December 21, 1962 the company used the proceeds of the issue of 280,000 shares of the company and $450,000 unsecured convertible debentures referred to in Note 4 above for the purchase of the Canadian television rights to the film library known as "the King Collection".

ATLAS TELEFILM LIMITED

OFFICERS AND DIRECTORS

President - - - -	Leslie Alexander Allen
Vice-President - - -	James Andrew Cowan
Secretary - - - -	Joseph Dawes
Director - - - -	James Edward Houston
Director - - - -	Lloyd G. McKenzie, Q.C.

REGISTRAR AND TRANSFER AGENTS

Guaranty Trust Company of Canada,

366 Bay Street, Toronto, Ont.

Printed in Canada